Missouri's Funding for Tourism Promotion

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Missouri's method of investing in tourism promotion is considered a national model, thanks to a funding mechanism created in 1993, known as House Bill 188 (HB 188).

The funding system, which went into effect on July 1, 1994, has increased the Missouri Division of Tourism's budget from $6 million in 1993 to a high of $21 million in fiscal year 2009.

After years of searching for a dependable revenue source to fund the Division of Tourism's efforts, Missouri's travel industry united in 1993 behind House Bill 188. This legislation set aside a percentage of tourism-generated tax revenue for more tourism promotion. It required no tax increases.

Studies indicate that tourism expenditures are increased by more than $86 for every dollar that the State of Missouri invests in tourism marketing.

The plan was developed by an industry group with representatives from the Missouri Hotel & Motel Association, the Missouri Restaurant Association, the Missouri Travel Council, the Travel Federation of Missouri and the Missouri Association of Convention & Visitors Bureaus.

Current studies indicate that tourism expenditures are increased by more than $86 for every dollar that the State of Missouri invests in tourism marketing. To maximize tourism's benefits, the industry group concluded, Missouri needed a reliable source of funding for tourism promotion, at a level that would enable the state to compete effectively in the tourism market.

The funding proposal called for working with the Department of Revenue to identify tax revenue generated by specific businesses that serve travelers. Businesses in 17 SIC (Standard Industry Classification) codes were chosen. A small percentage of the growth in tax revenue from those businesses would be reinvested each year in tourism marketing.

The plan was based on the conservative assumption that sales tax revenue generated by traveler-serving businesses would grow by at least three percent per year – considered "normal" growth. The Division of Tourism would receive half of any increase in sales tax revenue above that 3 percent level. The increase in money, to be used for tourism marketing and promotion, could not exceed $3 million per year over the previous year's level.

The measure also called for the division's existing funding from General Revenue to be eliminated gradually, at a rate of 10 percent per year. At the end of 10 years, the division would be entirely funded from this new tax revenue source.

Broad-based travel industry support was the key to passing HB 188 into law. The no-new-tax proposal was developed after opposition killed an earlier funding plan calling for new taxes to be collected by travel industry businesses. By contrast, the "painless" funding measure embodied in HB 188 enjoyed statewide support as it made its way through the legislature and to the Governor's desk.

More than 300 industry representatives came to the Capitol early in the 1993 legislative session to talk with their legislators. They made it clear that the plan in HB 188 was developed by the travel industry and had the full backing of the industry. They also made it clear how much tourism means to Missourians statewide.

Thanks to industry support, HB 188 was approved by wide margins – 30-4 in the Senate and 145-11 in the House. Industry members were on hand in force again on July 7, 1993, when the measure was signed into law by Lt. Gov. Roger Wilson.

The innovative funding concept, called "the most significant step forward for tourism in Missouri since the Missouri Tourism Commission was created in 1967," put Missouri in the national spotlight. The successful campaign to pass HB 188 earned the Travel Industry Association of America's prestigious Odyssey Award for Tourism Awareness in 1993.

Missouri Division of Tourism Budget History

In 1993, Missouri's tourism industry developed a plan to allow the Division of Tourism to fund itself solely from growth in the travel business, and eventually eliminate the need for General Revenue appropriations. Led by House and Senate tourism committees, this initiative passed almost unanimously into state law RSMo 620.467. It is often considered a model for the nation.

Known as the "Division of Tourism Supplemental Revenue Fund," this performance-based budgeting process organized Missouri's travel industry into 17 business types, identified by Standard Industry Classification (SIC) codes. The General Assembly appropriates these funds annually, based on at least 3 percent growth in tourism-related sales tax revenues, as determined by the director of the Department of Revenue.

In addition, a provision of the law stipulated that the original FY94 base appropriation be paid back to the state by 2004. Each year, 10 percent of that base amount was to be deposited back to the General Revenue fund, and by 2004 the entire division budget would be generated from the growth in tourism-related tax revenues. This was accomplished by FY02.

Standard Industry Classification (SIC) Codes

Included in Funding Formula

5811 Eating Places Only
5812 Eating And Drinking Places
5813 Drinking Places - Alcoholic Beverages
7010 Hotels, Motels and Tourist Courts
7020 Rooming and Boarding Houses
7030 Camps and Trailering Parks
7033 Trailering Parks and Campsites
7041 Organization Hotels and Lodging Houses
7920 Producers, Orchestras, Entertainers
7940 Commercial Sports
7990 Misc. Amusement and Recreation
7991 Boat and Canoe Rentals
7992 Public Golf Courses and Swimming Pools
7996 Amusement Parks
7998 Tourist Attraction
7999 Amusement NEC (Not Elswhere Classified)
8420 Botanical and Zoologial Gardens

HB 316 Extends Funding to 2020

Legislation to extend the life of the Missouri Division of Tourism's supplemental funding source, and the percentage used by the Department of Revenue when computing the division's budget each year, was passed in 1998, 2007, and 2013.

House Bill 188, approved by the legislature in 1993, which created the Division of Tourism Supplemental Revenue Fund, allowed the division to receive up to $3 million annually in new revenue. This formula gave back to the division part of the increase of the state sales taxes generated by tourism activities (17 SIC codes).

The original intent of HB 188 was that the Department of Revenue would use a formula to determine the amount of increase from all sales taxes collected. The Department of Revenue determined that the formula be based only on general state sales tax (3%) and did not include the School District Trust Fund sales tax (1%), the Conservation tax (0.125%) and the Soils and Water/State Parks tax (0.10%) in the formula.

In 1998, Rep. Francis Overschmidt of Union, and Sen. Sidney Johnson of Agency, sponsored HB 1620 in their respective chambers, which included the provision to

HB 316 Extends Funding to 2020

extend the original sunset clause in HB 188 from the year 2004 to the year 2010. HB 1620 also clarified that the computation of the amount transferred to the Division of Tourism would be based on all state sales taxes collected (4.225%) instead of just the general state sales tax of 3%.

In 2007, Rep. B.J. Marsh of Springfield and Sen. John Griesheimer of Washington sponsored HB 205 / SB 376 in their respective chambers, which extended the sunset clause to 2015.

The sunset clause was again extended in 2013 with the passage of HB 316. Rep. Don Phillips of Kimberling City and Sen. David Sater of Cassville sponsored HB 316 in their respective chambers. HB 316 extended the sunset clause of the division's funding source to the year 2020.

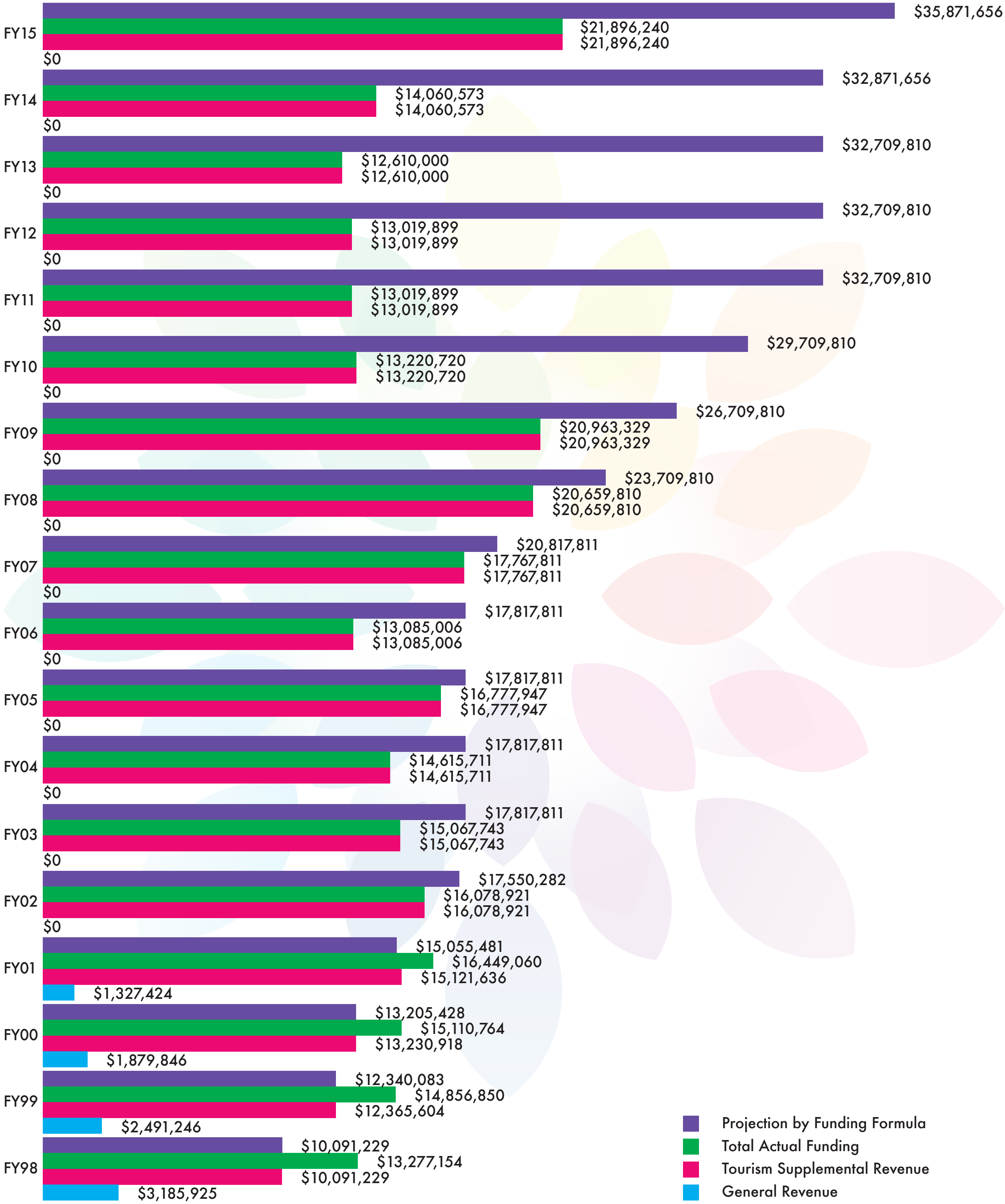
Missouri Division of Tourism Funding History

	FY98	FY99	FY00	FY01	FY02	FY03
General Revenue Funds	$3,185,925	$2,491,246	$1,879,846	$1,327,424	$0	$0
Tourism Supplemental Revenue	$10,091,229	$12,365,604	$13,230,918	$15,121,636	$16,078,921	$15,067,743
Actual Total Funding	$13,277,154	$14,856,850	$15,110,764	$16,449,060	$16,078,921	$15,067,743
Projection by Funding Formula	$10,091,229	$12,340,083	$13,205,428	$15,055,481	$17,550,282	$17,817,811

	FY04	FY05	FY06	FY07	FY08	FY09
General Revenue Funds	$0	$0	$0	$0	$0	$0
Tourism Supplemental Revenue	$14,615,711	$16,777,947	$13,085,006	$17,767,811	$20,659,810	$20,963,329
Actual Total Funding	$14,615,711	$16,777,947	$13,085,006	$17,767,811	$20,659,810	$20,963,329
Projection by Funding Formula	$17,817,811	$17,817,811	$17,817,811	$20,817,811	$23,709,810	$26,709,810

	FY10	FY11	FY12	FY13	FY14	FY15
General Revenue Funds	$0	$0	$0	$0	$0	$0
Tourism Supplemental Revenue	$13,220,720	$13,019,899	$13,019,899	$12,610,000	$14,060,573	$21,896,240
Actual Total Funding	$13,220,720	$13,019,899	$13,019,899	$12,610,000	$14,060,573	$21,896,240
Projection by Funding Formula	$29,709,810	$32,709,810	$32,709,810	$32,709,810	$32,871,656	$35,871,656

Missouri Division of Tourism
Budget History



Questions and Answers on RSMo 620.467 (HB 188)

Q: Does this create a new tax?

A: No. There are no new taxes. It simply allocates some of the growth in existing sales tax revenue to the Division of Tourism, to be reinvested in more marketing.

Q: How much of the tax money would go back into tourism?

A: The funding mechanism assumes that 3 percent per year would be "normal" growth in tax revenue from traveler-serving businesses. Half of any revenue above 3 percent would go to the Division of Tourism, to be invested in building the state's travel industry.

Q: Is there a limit on how much the Division of Tourism's budget can grow?

A: Yes. The increase is capped at $3 million per year.

Q: Why do we need more money for tourism promotion?

A: The tourism industry is very important to the state. Missouri's tourism industry can quickly produce tax revenue and new jobs. Tourism is a $15.3 billion per year business in Missouri, employing over 290,000 Missourians. Spending by travelers generated about $1.3 billion in FY 14 in state and local taxes.

Q: What about the payoff if we spend more on tourism promotion?

A: Independent research studies show for every $1 the Missouri Division of Tourism invests in marketing tourism, visitors spend $86 at tourism-related businesses and events. This generates $3.99 in state tax revenue and even more revenue at the local level. Two of our biggest competitors, Illinois and Texas, have tourism budgets that exceed $30 million. With MDT's 2014 budget of $14 million, we are still providing an impressive return.

Q: Does tourism promotion help rural, small-town Missouri?

A: Yes. Through the Promote Missouri Fund (formerly known as the Cooperative Marketing Program), we are able to assist Destination Marketing Organizations (DMOs) throughout the state with their promotional and marketing efforts. The division plans to continue to expand this program.

Q: Does the funding for tourism have a "sunset" clause?

A: Yes. Unless the general assembly extends the sunset, the funding mechanism, Section 620.467, RSMo, expires June 30, 2020.

Q: Is this funding mechanism a way to build Missouri's economy, create more jobs and tax revenue, and keep tourism growing well into the 21st century, without any new tax increases?

A: Yes, exactly!